



ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Annual Report
1986



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Business of the Company

ICG Utilities (Ontario) Ltd (formerly Northern and Central Gas Corporation Limited), a wholly owned subsidiary of Inter-City Gas Corporation, owns and operates, either directly or through subsidiaries, natural gas distribution facilities in the provinces of Ontario and Manitoba. The Ontario operation serves approximately 100 communities in northwestern, northern and eastern Ontario. In Manitoba, Greater Winnipeg Gas Company operates gas distribution facilities in the greater Winnipeg area and adjacent communities.

Highlights

Financial (\$000's)

	<u>1986</u>	<u>1985</u>
Operating revenue		
Ontario operations	\$480,777	\$544,975
Manitoba operations	<u>213,708</u>	229,666
	<u>\$694,485</u>	<u>\$774,641</u>
Net income		
Ontario operations	\$ 25,566	\$ 19,042
Manitoba operations	<u>4,702</u>	7,947
	<u>\$ 30,268</u>	<u>\$ 26,989</u>
Operating		
Customers at year-end	327,214	318,309
Expenditures on properties, plant and equipment, net (\$000's)	<u>\$ 48,888</u>	\$ 61,391
Properties, plant and equipment (\$000's)	<u>\$448,591</u>	\$416,656

Report to Shareholders

Revenues and Earnings

Net income increased to \$30.3 million from \$27.0 million in 1985 due to higher contributions from the Ontario operations offset by lower contributions from Manitoba.

Gas sales and other revenues decreased to \$694.5 million from \$774.6 million as a result of the effect of warmer weather, price decreases, and certain industrial customers changing from gas sales to transportation service contracts, partly offset by customer growth. Volumes of gas sold decreased to $4,221 \text{ } 10^6 \text{ m}^3$ from $4,530 \text{ } 10^6 \text{ m}^3$. The number of customers increased during the year by approximately 8,900 to 327,214.

Investment income declined to \$14.2 million from \$20.1 million due to lower Gaz Métropolitain inc. (GMI) and Noverco dividend and interest income as a result of the 1985 exchange of GMI common shares for \$26 million of the Company's long term debt and the 1986 sale of the Company's investment in long term debt of GMI.

Financial expenses decreased to \$38.3 million from \$43.4 million, primarily due to the \$5.1 million gain on the sale of GMI U.S. debt.

Ontario Operations

Income from the Ontario operations increased by \$6.5 million to \$25.6 million. Residential and commercial sales volumes decreased by $44 \text{ } 10^6 \text{ m}^3$ to $958 \text{ } 10^6 \text{ m}^3$ because of the effect of 5% warmer weather partly offset by more customers. Industrial and other sales declined by $190 \text{ } 10^6 \text{ m}^3$ to $1,974 \text{ } 10^6 \text{ m}^3$ because of replacement by transportation service and competitive fuels. At year-end, the number of customers increased to 154,312 from 149,465 a year earlier.

Total capital expenditures, after deducting grants and other contributions, totalled \$35.8 million, down from a 1985 high of \$50.7 million.

Effective May 5, 1986 the Company's name was changed from Northern and Central Gas Corporation Limited to ICG Utilities (Ontario) Ltd.

Manitoba Operations

Income from the Manitoba operations declined by \$3.2 million to \$4.7 million due to lower gas sales volumes partly offset by more customers. Residential and commercial sales

volumes decreased by $59 \text{ } 10^6 \text{ m}^3$ to $1,009 \text{ } 10^6 \text{ m}^3$. The effect of 7% warmer weather than last year was modified by customer growth. Industrial sales volumes decreased by $16 \text{ } 10^6 \text{ m}^3$ to $280 \text{ } 10^6 \text{ m}^3$. At December 31, 1986 there were 172,902 customers, compared with 168,844 the previous year.

Capital expenditures were \$13.1 million in 1986 compared with \$10.7 million in 1985.

Regulation

In June 1986, the Ontario Energy Board released its final decision with respect to the 1986 test year. The Company was granted a final revenue deficiency of \$7.1 million which included \$6.5 million awarded on an interim basis January 1, 1986. The Board decreased the allowed rate of return on common equity from 15.75% to 15.00%.

In October 1986, the Company applied to the Ontario Energy Board for a rate increase for the 1987 test year to recover increased operating and financial expenses. The Company is seeking an additional \$19.2 million in revenues to enable it to earn a return of 14.75% on common equity.

Greater Winnipeg Gas has filed a rate application based on a historical test year and hearings are expected to commence in June, 1987. The current allowable rate of return on common equity is 14.25%.

Market Responsive Pricing

The October 31, 1985 "Agreement on Natural Gas Markets and Prices" between the governments of Canada and the three western gas producing provinces set the natural gas industry on a path of more flexible and market-oriented pricing. This Agreement permitted certain end users of gas to purchase their gas directly in a producing province and then have it transported to their facilities by the pipeline.

By year-end, transportation service was being provided to four large industrial customers in our service area in Ontario.

Late in 1986, the Company signed agreements with Western Gas Marketing, a subsidiary of TransCanada PipeLines, which would effectively set gas prices payable by our customers in Manitoba and Ontario beginning on November 1, 1986. The Ontario agreement was approved by the Ontario Energy Board for a term of one year pending further review at that time. At the time of writing, the Manitoba agreement is under review by the Public Utilities Board.

Outlook

For the future, our Company remains convinced that, over the long term, deregulation will be the best path for the industry. It will be particularly advantageous for us in that it will offer a stronger competitive position in industrial markets. However, in the short term transitional period, a number of complex issues remain to be sorted out—making both planning and decision making more difficult.

With the help of the Company's many dedicated and enthusiastic employees, we are sure to be able to meet the challenge of 1987 and beyond.

On behalf of the Board of Directors,



R. G. Graham,

Chairman of the Board



N. J. Didur,

President

April 14, 1987.

Summary of Accounting Policies

Year ended December 31, 1986

The Company and its subsidiaries are engaged primarily in regulated gas distribution operations in Manitoba through Greater Winnipeg Gas Company and in Ontario through ICG Utilities (Ontario) Ltd which are classified as one business segment for financial reporting purposes.

The principal accounting policies followed by the Company and its subsidiaries are summarized here to facilitate a review of the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

The excess of acquisition costs over underlying value of net assets at date of purchase in respect of companies amalgamated on January 1, 1968 are included in "Other Assets" and are not being amortized.

Foreign currency translation

Long-term debt and investments denominated in U.S. dollars are translated at the rates of exchange prevailing at the balance sheet date. Any exchange gains or losses arising on translation of these amounts are deferred and amortized over the remaining term to maturity.

Inventories

Gas in storage is carried at cost which includes transportation and storage. Supplies are carried at the lowest of historic cost, replacement cost and net realizable value.

Properties, plant and equipment

Properties, plant and equipment are carried at cost which includes direct costs, overhead attributable to construction and interest on funds used during construction, less contributions in aid of construction.

Contributions in aid of construction are represented primarily by non-refundable grants from governmental bodies in support of specific transmission and distribution facilities.

Depreciation is provided on the straight-line method at rates approved by regulatory authorities. The application of such rates is equivalent to a composite rate of approximately 3.25% (3.24% in 1985).

The original cost of property retired is removed from plant accounts and charged to accumulated depreciation, which is credited with the salvage proceeds less removal costs. Under this method, no profit or loss is recognized on ordinary retirements of depreciable property.

Maintenance, repairs and minor renewals are charged to maintenance expense accounts. Renewals and betterments of property are capitalized.

Deferred charges

Costs of issuing long-term debt are deferred in the year incurred and amortized against income over the term of the applicable issue.

The Companies defer, in the year incurred, certain expenses which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods.

Income taxes

The Companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable or are recoverable through the rates charged to customers. Accordingly, the Companies provide for income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues amounted to \$7,578,000 in 1986, (\$4,500,000 in 1985) and \$83,178,000 in total to December 31, 1986. The Companies do provide for income taxes which result from a difference in the timing of income recognition on unbilled sales.

Consolidated Statement of Income

Year ended December 31, 1986

(thousands of dollars)

	1986	1985
Operating revenue		
Gas sales	\$677,661	\$759,793
Other revenues	<u>16,824</u>	<u>14,848</u>
	694,485	774,641
Operating costs		
Cost of gas	537,585	624,444
Operating, selling and administrative	<u>74,807</u>	<u>69,365</u>
Depreciation	<u>15,411</u>	<u>14,050</u>
	627,803	707,859
Operating profit	66,682	66,782
Investment income (note 3)	14,182	20,125
	80,864	86,907
Financial expenses		
Interest on long-term debt	41,483	43,286
Loss (gain) on foreign exchange	<u>(2,876)</u>	<u>1,357</u>
Interest capitalized	<u>(344)</u>	<u>(1,257)</u>
	38,263	43,386
Income before taxes	42,601	43,521
Provision for income taxes (note 9)	12,333	16,532
Net income	\$ 30,268	\$ 26,989
Dividends on preference shares	\$ 2,825	\$ 3,037
Income applicable to common shares	\$ 27,443	\$ 23,952
Earnings per common share	\$ 1.54	\$ 1.34

Consolidated Balance Sheet

as at December 31, 1986

(thousands of dollars)

Assets

		1986	1985
Current assets	Accounts receivable and unbilled gas	\$103,701	\$139,603
	Inventory of gas in storage and supplies	21,642	22,280
	Total current assets	<u>125,343</u>	<u>161,883</u>
Investments (note 3)		138,110	207,098
Properties, plant and equipment (note 4)		448,591	416,656
Other assets (note 5)		22,235	19,103
		<u>\$734,279</u>	<u>\$804,740</u>

Liabilities

		1986	1985
Current liabilities	Bank indebtedness	\$ 13,902	\$ 2,636
	Accounts payable and accrued charges	87,946	108,110
	Income and other taxes	13,671	18,327
	Current maturities on long-term debt	14,139	14,129
	Total current liabilities	<u>129,658</u>	<u>143,202</u>
Long-term debt (note 6)		330,844	391,650
	Total liabilities	<u>460,502</u>	<u>534,852</u>

Shareholders' Equity

Capital stock (note 7)

	Issued			
		First preference shares		
85,986		\$2.60 cumulative, first series (89,186 in 1985)	4,299	4,459
24,523		\$2.70 cumulative, second series (24,993 in 1985)	1,226	1,250
		Second preference shares		
998,075		7.85% cumulative, series A , issue price \$25 (1,054,075 in 1985)	24,952	26,352
		Third preference shares		
		\$1.06 cumulative, series A (455 in 1985)	11	
		\$1.50 cumulative, series B (32,145 in 1985).....	804	
184,000		\$1.94 cumulative, series C (230,000 in 1985).....	4,600	5,750
17,860,630		Common shares	140,838	140,838
Retained earnings (note 8)			97,862	90,424
		Total shareholders' equity	<u>273,777</u>	<u>269,888</u>
			<u>\$734,279</u>	<u>\$804,740</u>

Approved by the Board



Director



Director



ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1986

(thousands of dollars)

	<u>1986</u>	<u>1985</u>
Operations		
Receipts from sales	\$726,419	\$751,118
Investment and other income	30,286	29,720
Purchases and expenses	(657,331)	(684,416)
Interest and bank charges	(38,630)	(43,028)
Income tax instalments	(16,672)	(7,405)
Cash provided from operations	44,072	45,989
Cash utilized for dividends	(22,829)	(22,684)
Cash remaining for investment	21,243	23,305
Investment		
Expenditures on property, plant and equipment	54,145	93,823
Disposal of fixed assets	(472)	(6,286)
Contributions in aid of construction	(8,722)	(34,924)
Notes receivable under financing contracts	(291)	13,581
Reduction of investments	(8,837)	(29,205)
Sale of subsidiaries		(8,976)
Cash utilized by investment activities	35,823	28,013
Cash deficiency before financing	(14,580)	(4,708)
Financing		
Issue of long-term debt	75,000	
Increase (decrease) in bank loans	(116,948)	53,468
Repayment of long-term debt	(17,757)	(40,804)
Sale of GMi debt holdings	67,077	
Redemption of preference shares	(3,444)	(2,756)
Other	(614)	
Cash provided by financing activities	3,314	9,908
(Decrease) increase in cash position	(11,266)	5,200
Cash position at beginning of period	(2,636)	(7,836)
Cash position at end of period	\$ (13,902)	\$ (2,636)
Summary of cash position		
Bank indebtedness	<u><u>\$ 13,902</u></u>	<u><u>\$ 2,636</u></u>

Consolidated Statement of Retained Earnings

Year ended December 31, 1986

(thousands of dollars)

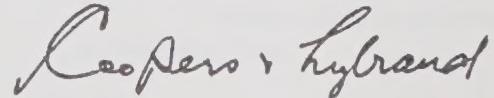
	1986	1985
Balance at beginning of year		
As previously reported.....	\$82,109	\$76,447
Adjustment for change in method of accounting for revenue (note 2)	8,315	9,672
As restated.....	90,424	86,119
Net income.....	30,268	26,989
	120,692	113,108
 Dividends		
First preference shares –first series	228	235
–second series	67	69
Second preference shares –series A	2,035	2,101
Third preference shares –series A	1	1
–series B	48	96
–series C	446	535
Common shares	20,005	19,647
	22,830	22,684
 Balance at end of year	\$97,862	\$90,424

Auditors' Report

To the Shareholders of
ICG Utilities (Ontario) Ltd

We have examined the consolidated balance sheet of ICG Utilities (Ontario) Ltd as at December 31, 1986 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of recording revenues as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.



Toronto, Canada
February 10, 1987

Coopers & Lybrand
Chartered Accountants

Notes to Consolidated Financial Statements

Year ended December 31, 1986

(Tabular amounts are in thousands of dollars)

1. Accounting policies

The summary of the principal accounting policies presented elsewhere is an integral part of these consolidated financial statements.

2. Change in accounting policy

Effective January 1, 1986, the Company changed its accounting policy with respect to the recording of gas sales revenue of the Manitoba operations, making it consistent with the accounting policy for the Ontario operations. The gas sales revenue is now recorded on the basis of meter readings plus an estimate of customer usage since the last meter reading to the end of the reporting period. In prior years, such revenue was recorded on the basis of meter reading only. This change in accounting policy has been retroactively applied, and 1985 earnings and the balance of retained earnings at December 31, 1984 have been restated.

The effect of this change is shown in the following table:

	1986	1985	Prior
Unbilled sales at end of year	\$ 13,689	\$ 17,654	\$ 20,151
Unbilled sales at beginning of year	(17,654)	(20,151)	
Increase (decrease) in revenue.....	(3,965)	(2,497)	20,151
Less applicable income taxes.....	(1,837)	(1,140)	10,479
Increase (decrease) in net income and retained earnings	\$ (2,128)	\$ (1,357)	\$ 9,672
Decrease in earnings per common share	\$ 0.12	\$ 0.08	

3. Investments

	1986	1985
Investment in Noverco (i)		
Common shares of Noverco (ii).....	\$ 55,016	\$ 55,016
Preference shares of Gaz Métropolitain, inc.		
5.4% 1965 series, issue price \$100.....		1,389
5.5% 1966 series, issue price \$100.....		1,459
7.85% 1978 series, issue price \$ 25.....	14,258	15,058
Debt (iii).....		64,105
	69,274	137,027
Demand note from ICG (iv)	47,300	47,300
Mortgages receivable	5,347	6,654
Finance contracts	16,152	16,080
Other	37	37
	\$138,110	\$207,098

(i) Effective June 16, 1986 the Company's common shares of Gaz Métropolitain, inc. (GMi) were exchanged for an equal number of common shares of Noverco, GMi's newly formed parent company.

(ii) In 1980 and 1981, the Company issued two series of exchangeable subordinated debentures. The issues conferred upon the holders the right to vote the shares subject to exchange during the terms of the issues and prior to exercising the exchange right. As a result, the Company no longer has a voting interest in Noverco. Accordingly, the Company accounts for its investment in Noverco by the cost method.

During 1985, the first issue of \$26,000,000 principal amount of 12% exchangeable subordinated debentures due in 2000 was exchanged into 3,250,000 common shares of GMi, resulting in a loss on the exchange of shares of \$603,000 after income taxes payable of \$1,396,000.

The second issue of \$55,016,000 of 13% exchangeable subordinated debentures redeemable in 1988 are exchangeable at any time into 6,877,049 common shares of Noverco (13.28% interest at December 31, 1986). The Company has the option to pay the redemption in cash or by tendering the common shares of Noverco subject to the exchange right. In 1988, the Company intends to tender the common shares of Noverco. As a result, the Company will incur a loss on the exchange of the shares of \$1,604,000, after income taxes payable of \$2,954,000, which was recorded in 1985.

(iii) During 1986, the Company's investment in GMi debt was sold for net proceeds of \$67,077,000. A foreign exchange gain of \$5,077,000 was recorded on the transaction and income taxes of \$2,390,000 resulted in a net gain of \$2,687,000.



- (iv) The subordinated demand note from the Company's parent, Inter-City Gas Corporation bears interest at 7.6% per annum and is subject to minimum annual repayments of \$1,672,000 in 1988 and \$4,148,000 from 1989 to 1999. Annual interest of \$3,595,000 is included in investment income in 1986 and 1985. Interest receivable of \$1,049,000 is included in accounts receivable at December 31, 1986 and 1985.

4. Properties, plant and equipment

	1986		1985
	Cost	Accumulated Depreciation	Net
Gas storage	\$ 20,470	\$ 7,171	\$ 13,299
Gas distribution.....	473,713	90,859	382,854
Rental equipment	47,717	19,980	27,737
General and other plant	38,257	13,556	24,701
	\$580,157	\$131,566	\$448,591

5. Other assets

	Basis of Period of Amortization	1986	1985
Intangible assets arising from acquisitions		\$ 8,833	\$ 8,833
Unrealized foreign currency translation losses (i)	*	7,953	5,554
Long-term debt issue expense	*	2,121	1,820
Sales promotion expense	5 years	1,934	1,489
Gas storage exploration costs.....		936	1,051
Other		458	356
		\$22,235	\$19,103

*Amortized over term of applicable issue.

(i) Represents the unrealized foreign currency loss on translation of long-term debt denominated in U.S. dollars \$43,061,000 U.S. (\$48,251,000 U.S. in 1985) net, in 1985, of the unrealized gain on translation of investments in GMi debt denominated in U.S. dollars (\$26,658,000 U.S.) and amortization. The exchange rate as at December 31, 1986 was \$1.38 (\$1.40 in 1985).

6. Long-term debt

	Due within one year	1986	1985
Bank loans, unsecured, bearing interest at the prime bank rate .			\$116,953
6½%–11¾% first mortgage bonds, 1986–1998.....	\$10,359	\$ 98,098	110,188
9½%–14% senior debentures, 1991–2008.....	2,625	178,603	108,654
6% subordinated notes, 1987.....	415	415	967
6½%–11¼% debentures, 1988-1991	740	12,851	14,001
13% exchangeable subordinated debentures, 1988 (note 3(ii)) .		55,016	55,016
	\$14,139	344,983	405,779
Deduct			
Current maturities on long-term debt		14,139	14,129
		\$330,844	\$391,650

The first mortgage bonds are secured by specific mortgage on real and immovable property, franchises, gas purchases and sales contracts, monies deposited under Trust Deed, securities, appliances and equipment and additional property pledged with Trustee and a floating charge on all other assets.

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1987 are as follows:

1988.....	\$81,424 (note 3(ii))	1990.....	\$15,204
1989.....	\$31,194	1991.....	\$38,425



7. Capital stock

Authorized

510,717	First preference shares issuable in series
3,598,075	Second preference shares issuable in series
184,000	Third preference shares issuable in series
2,500,000	Junior preference shares issuable in series
34,622,139	Common shares

First preference shares, first and second series, (currently redeemable at the Company's option at \$50.50 per share) do not presently have voting rights.

Second preference shares, series A, (redeemable at the Company's option after December 15, 1986 at a price of \$25.20 per share, declining to \$25.00 per share after December 15, 1987) do not presently have voting rights.

Third preference shares, series C (redeemable at the Company's option at \$25.00 per share) have voting rights.

The following shares were redeemed for cash during the year:

3,200	First preference shares, first series
470	First preference shares, second series
56,000	Second preference shares, series A
455	Third preference shares, series A
32,145	Third preference shares, series B
46,000	Third preference shares, series C

8. Dividend restrictions

The indentures and agreements relating to the Company's long-term debt obligations contain covenants limiting the payment of dividends.

9. Income taxes

A reconciliation between the statutory and the effective rate of income taxes is provided as follows:

	1986	1985
Income before income taxes	\$42,601	\$43,521
Federal statutory tax rate.....	46.0%	46.0%
Computed income taxes.....	\$19,596	\$20,020
Increases (decreases) in income taxes resulting from:		
Capital cost allowance deducted for income tax purposes		
in excess of depreciation	(2,221)	(2,486)
Corporate surtax	405	287
Provincial income taxes in excess of federal abatement	1,330	1,729
Non-taxable dividend income	(2,749)	(3,403)
Difference between accounting gains/losses		
and taxable capital gains/losses	35	3,251
Deferred charges and other items claimed for tax purposes		
in the year incurred.....	(3,836)	(2,907)
Other, net.....	(227)	41
Actual income tax expense	\$12,333	\$16,532
Effective tax rate	29.0%	38.0%

10. Pension Plan

The Company has various pension plans available to substantially all permanent full time employees. The Company makes contributions to the plans based on salary levels. The total pension expense for 1986 was \$1,077,000 (\$1,641,000 in 1985), including contributions in respect of unfunded past service benefits. At December 31, 1986 the Company has no unfunded pension liability.

11. Related party transactions

ICG Utilities (Canada) Ltd charged the Company \$4,019,000 (\$1,057,000 in 1985) for services provided.

12. Name change

Effective May 5, 1986, the Company's name was changed to ICG Utilities (Ontario) Ltd from Northern and Central Gas Corporation Limited.



ICG UTILITIES (ONTARIO) LTD.
DIVISION OF INTER-CITY GAS CORPORATION

Financial and Operating Summary—1982-1986

Consolidated Results

Financial Statistics (\$000's)	1986	1985	1984	1983	1982
Operating revenue					
Gas sales.....	\$677,661	\$759,793	\$728,081	\$703,634	\$647,344
Other revenues.....	16,824	14,848	10,563	9,799	10,779
	694,485	<u>774,641</u>	<u>738,644</u>	<u>713,433</u>	<u>658,123</u>
Costs and expenses					
Cost of gas	537,585	624,444	610,804	595,923	554,747
Operating, selling and administrative.....	74,807	69,365	63,687	56,829	52,303
Depreciation	15,411	14,050	12,254	11,435	10,639
	627,803	<u>707,859</u>	<u>686,745</u>	<u>664,187</u>	<u>617,689</u>
Operating profit	66,682	66,782	51,899	49,246	40,434
Investment income	14,182	20,125	18,822	18,781	18,777
	80,864	<u>86,907</u>	<u>70,721</u>	<u>68,027</u>	<u>59,211</u>
Financial expenses.....	38,263	43,386	39,819	33,274	29,744
Income before taxes.....	42,601	43,521	30,902	34,753	29,467
Income taxes	12,333	16,532	5,399	8,077	5,331
Net income ¹	\$ 30,268	<u>\$ 26,989</u>	<u>\$ 25,503</u>	<u>\$ 26,676</u>	<u>\$ 24,136</u>
Operating Statistics					
Gas sales (\$000's)					
Residential	\$207,356	\$216,865	\$196,501	\$186,954	\$168,222
Commercial	175,774	186,539	178,231	167,052	154,127
Industrial-firm.....	165,178	198,965	197,371	202,015	197,413
-interruptible.....	118,494	147,513	155,978	147,613	127,582
GMi.....	10,859⁽²⁾	9,911 ⁽²⁾			
	\$677,661	<u>\$759,793</u>	<u>\$728,081</u>	<u>\$703,634</u>	<u>\$647,344</u>
Volumes (10 ⁶ m ³)					
Residential	1,001	1,051	976	967	989
Commercial	966	1,019	976	944	980
Industrial-firm.....	1,193	1,307	1,279	1,314	1,422
-interruptible.....	987	1,084	1,126	1,066	997
GMi.....	74⁽²⁾	69 ⁽²⁾			
	4,221	<u>4,530</u>	<u>4,357</u>	<u>4,291</u>	<u>4,388</u>
Customers at year-end					
Residential	295,580	287,750	278,746	266,730	258,046
Commercial	31,080	30,003	29,043	27,973	26,868
Industrial.....	554	556	542	544	548
	327,214	<u>318,309</u>	<u>308,331</u>	<u>295,247</u>	<u>285,462</u>
Capital expenditures (\$000's).....	\$ 48,888	\$ 61,391	\$ 54,639	\$ 45,095	\$ 30,681
Kilometres of pipe at end of period.....	8,788	8,476	8,176	7,612	7,039

⁽¹⁾ Before extraordinary loss on the sale of an oil and gas subsidiary on September 30, 1984 and income from its operations to that date.

⁽²⁾ Subsequent to the sale of Le Gaz Provincial du Nord de Québec Ltée on April 30, 1985.

Financial and Operating Summary—1982-1986

Ontario Operations

Financial Statistics (\$000's)	1986	1985	1984	1983	1982
Operating revenue					
Gas sales.....	\$466,156	\$532,030	\$508,697	\$491,659	\$441,533
Other revenues.....	14,621	12,945	8,252	7,030	8,201
	480,777	544,975	516,949	498,689	449,734
Costs and expenses					
Cost of gas	376,651	448,980	439,468	429,117	393,339
Operating, selling and administrative.....	41,262	39,206	36,207	30,811	28,849
Depreciation	11,583	10,600	9,231	8,008	7,360
	429,496	498,786	484,906	467,936	429,548
Operating profit	51,281	46,189	32,043	30,753	20,186
Investment income	14,182	20,125	18,822	18,781	18,777
	65,463	66,314	50,865	49,534	38,963
Financial expenses.....	31,178	36,650	33,167	27,797	24,453
Income before taxes.....	34,285	29,664	17,698	21,737	14,510
Income taxes	8,719	10,622	(527)	1,590	(1,989)
Net income ¹	\$ 25,566	\$ 19,042	\$ 18,225	\$ 20,147	\$ 16,499

Operating Statistics

Gas sales (\$000's)					
Residential	\$107,549	\$110,006	\$ 95,664	\$ 89,695	\$ 75,270
Commercial	99,620	105,466	100,691	91,430	80,497
Industrial-firm.....	161,172	194,447	193,201	197,844	192,968
-interruptible.....	86,956	112,200	119,141	112,690	92,798
GMi.....	10,859⁽²⁾	9,911 ⁽²⁾			
	\$466,156	\$532,030	\$508,697	\$491,659	\$441,533
Volumes (10 ⁶ m ³)					
Residential	456	471	427	421	410
Commercial	502	531	515	486	495
Industrial-firm.....	1,168	1,279	1,253	1,288	1,393
-interruptible.....	732	816	852	807	729
GMi.....	74⁽²⁾	69 ⁽²⁾			
	2,932	3,166	3,047	3,002	3,027
Customers at year-end					
Residential	136,863	132,786	127,129	118,495	113,029
Commercial	17,082	16,312	15,706	14,804	13,867
Industrial.....	367	367	336	335	325
	154,312	149,465	143,171	133,634	127,221
Capital expenditures (\$000's)	\$ 35,812	\$ 50,666	\$ 46,202	\$ 37,004	\$ 24,796
Kilometres of pipe at end of period.....	5,896	5,644	5,386	4,884	4,379

⁽¹⁾ Before extraordinary loss on the sale of an oil and gas subsidiary on September 30, 1984 and income from its operations to that date.

⁽²⁾ Subsequent to the sale of Le Gaz Provincial du Nord de Québec Ltée on April 30, 1985.



Financial and Operating Summary—1982-1986

Manitoba Operations

Financial Statistics (\$000's)	1986	1985	1984	1983	1982
Operating revenue					
Gas sales.....	\$211,505	\$227,763	\$219,384	\$211,975	\$205,811
Other revenues.....	2,203	1,903	2,311	2,769	2,578
	<u>213,708</u>	<u>229,666</u>	<u>221,695</u>	<u>214,744</u>	<u>208,389</u>
Costs and expenses					
Cost of gas	160,934	175,464	171,336	166,806	161,408
Operating, selling and administrative.....	33,545	30,159	27,480	26,018	23,454
Depreciation	3,828	3,450	3,023	3,427	3,279
	<u>198,307</u>	<u>209,073</u>	<u>201,839</u>	<u>196,251</u>	<u>188,141</u>
Operating profit	15,401	20,593	19,856	18,493	20,248
Financial expenses.....	7,085	6,736	6,652	5,477	5,291
Income before taxes.....	8,316	13,857	13,204	13,016	14,957
Income taxes	3,614	5,910	5,926	6,487	7,320
Net income.....	\$ 4,702	<u>\$ 7,947</u>	<u>\$ 7,278</u>	<u>\$ 6,529</u>	<u>\$ 7,637</u>
Operating Statistics					
Gas sales (\$000's)					
Residential	\$ 99,807	\$106,859	\$100,837	\$ 97,259	\$ 92,952
Commercial	76,154	81,073	77,540	75,622	73,630
Industrial-firm.....	4,006	4,518	4,170	4,171	4,445
-interruptible.....	31,538	35,313	36,837	34,923	34,784
	<u>\$211,505</u>	<u>\$227,763</u>	<u>\$219,384</u>	<u>\$211,975</u>	<u>\$205,811</u>
Volumes (10 ⁶ m ³)					
Residential	545	580	549	546	579
Commercial	464	488	461	458	485
Industrial-firm.....	25	28	26	26	29
-interruptible.....	255	268	274	259	268
	<u>1,289</u>	<u>1,364</u>	<u>1,310</u>	<u>1,289</u>	<u>1,361</u>
Customers at year-end					
Residential	158,717	154,964	151,617	148,235	145,017
Commercial	13,998	13,691	13,337	13,169	13,001
Industrial.....	187	189	206	209	223
	<u>172,902</u>	<u>168,844</u>	<u>165,160</u>	<u>161,613</u>	<u>158,241</u>
Capital expenditures (\$000's)	\$ 13,076	\$ 10,725	\$ 8,437	\$ 8,091	\$ 5,885
Kilometres of pipe at end of period.....	2,892	2,832	2,790	2,728	2,660

Directors and Officers

Officers

Robert G. Graham	<i>Chairman of the Board</i>
Norman J. Didur	<i>President</i>
Robert B. Callow	<i>Vice-President and General Manager</i>
Michael F. Burton	<i>Vice-President, Marketing and Sales</i>
H. Gordon Cook	<i>Vice-President, Management Information Systems</i>
Michael G. Meacher	<i>Vice-President, Special Projects</i>
Mark A. Wolnik	<i>Vice-President, Operations</i>
Jeffrey Hunter	<i>Director, Controller</i>
John E. Carstairs	<i>Secretary</i>
Ronald W. Wasenda	<i>Treasurer</i>
George R. Laidlaw	<i>Assistant Secretary</i>

Board of Directors

*Preston R. Cook	<i>Thunder Bay</i>
Norman J. Didur	<i>Toronto</i>
Robert G. Graham	<i>Toronto</i>
*Wayne R. Harding	<i>Treasure Island, Florida</i>
*J. Conrad Lavigne, C.M.	<i>Timmins</i>
Donald S. Rogers	<i>Winnipeg, Manitoba</i>

*Audit Committee

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